State of California
AIR RESOURCES BOARD

STAFF PROPOSAL

PROPOSED AMENDMENTS TO AIR RESOURCES BOARD VOLUNTARY ACCELERATED VEHICLE RETIREMENT REGULATIONS – MINIMIZE DIFFERENCES BETWEEN ARB AND BAR VAVR REGULATIONS AND ALLOW PARTS RECYCLING AND RESALE OF NON-EMISSION-RELATED AND NON-DRIVE TRAIN PARTS

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Executive Summary

The 1994 State Implementation Plan (SIP) requires significant emission reductions and most stakeholders believe that achieving these reductions is a significant challenge. In addition, the Legislature believed that it was important to provide maximum flexibility to both private industry and local air quality districts to determine how to achieve required emission reductions. Therefore, at the request of many stakeholders, the Legislature passed Senate Bill 501 (Calderon), statutes of 1995.

This legislation provided for emission reduction credit programs through voluntary accelerated vehicle retirement (VAVR). Designed to be market-based, these programs provide an alternative strategy to achieve emission reductions at a lower cost when compared to traditional emission control strategies, such as stationary source controls.

SB 501 statutes, Health and Safety Code Sections 44100 – 44122, required the Air Resources Board (ARB) to adopt regulations for VAVR credit programs for use by both public and private entities. In compliance, the ARB originally adopted the current VAVR regulations on October 22, 1999. This type of VAVR program is commonly referred to as the Mobile Source Emission Reduction Credit (MSERC) program.

Concurrently, to provide a "safety valve" for consumers with vehicles that ***fail*** the biennial smog inspection, the Bureau of Automotive Repair (BAR) implemented a VAVR program separate from the MSERC programs operated under the above referenced ARB regulations.

In summary, the important distinction between these two VAVR programs is that the VAVR program operated in compliance with ARB regulations generate ***emission credits*** to substitute for other SIP required emission reductions. Whereas, the program operated under BAR regulations is strictly a safety valve for consumers that ***fail*** the biennial smog inspection and is *not* used to generate emission credits.

Until recently, because the price paid to consumers was similar (i.e., $450 to $700 per vehicle), the two types of VAVR programs functioned in relative harmony, even though vehicle eligibility requirements differed between the two programs. However, this changed when BAR more than doubled the price paid to retire a vehicle from $450 to $1000 per vehicle. The BAR payment increase caused the perception that the two programs were in competition. In addition, this caused a closer examination of the vehicle eligibility requirements between the two programs with many stakeholders noting that the BAR vehicle eligibility requirements are less stringent than those established by the ARB VAVR regulations.

Stakeholders then complained that the combined cost differential and vehicle eligibility differences jeopardized MSERC program viability. Additionally, participants noted that the Health and Safety Code requires the ARB to “harmonize the requirements and implementation of this program with the motor vehicle inspection program”. Statutes

also state: “Insofar as practicable, these programs shall be seamless to the participants and the public.”

Finally, stakeholders also noted that the Health and Safety Code requires regulatory provisions to provide for recycling, sales, and use of parts from vehicles offered for retirement. It should also be noted that, on February 26, 1999, Senator Johannessen introduced Senate Bill 1058 to legislate parts recovery limited to non-emission-related parts. However, Senator Johannessen dropped this bill to allow the ARB an opportunity to re-examine and/or revise the VAVR regulations.

In summary, many participants felt that present ARB regulations fall short in meeting the mandates of the Health and Safety Code, i.e., “harmonize” ARB and BAR regulations and provide for parts recovery from retired vehicles.

In response, the ARB staff completed a fact finding study focusing on the differences between the ARB and BAR VAVR regulations, as well as, to examine options to provide for parts recovery and re-sale. For this effort, ARB staff conducted several informal workshops with the various stakeholders. Then, based on the workshop results, staff prepared; and, released for public comment, a preliminary staff report with recommendations to revise existing regulations and to present parts recovery options.

Finally, interested parties submitted numerous comments regarding the recommendations contained in the staff report. ARB staff evaluated the public comments; and, as a result of the review, ARB staff proposes to amend the ARB VAVR regulations as follows:

- ARB staff recommends a revision to the ARB VAVR regulations to minimize the differences between ARB VAVR regulations and BAR VAVR regulations per Health and Safety Code, Section 44102. *Specifically, with respect to vehicle eligibility, ARB staff recommends that the ARB VAVR regulations be amended to match the BAR regulations with only two exceptions, i.e., driving in reverse and the vehicle registration history*.

- ARB staff recommends a revision to the ARB VAVR regulations to allow limited parts recovery. *Specifically, ARB staff recommends that the ARB VAVR regulations be amended to allow parts recovery for non-emission-related and non-drive train parts.*

Background

The Health and Safety Code provides for two types of VAVR programs:

(1) The BAR program which is a "safety valve" for consumers with vehicles that *fail* their smog inspection, but may have difficulty affording repairs and/or deem repair costs not cost effective; and,

(2) MSERC programs to be operated by private enterprises under local district control following ARB regulations. Under this type of program, local districts use the vehicle retirement program's emission benefits ("credits") to substitute for other required emission reductions, such as, trip reduction strategies or additional stationary source reductions.

The fundamental difference between BAR's vehicle retirement program and programs operated under ARB regulations is:

- Only vehicles that have **failed** their most recently required biennial smog inspection (within the last 120 days) are eligible for BAR's VAVR program; whereas,

- Only vehicles that **pass** their biennial smog inspection (or, are exempted from biennial inspection) are eligible for MSERC programs.

This distinction ensures that MSERC emission reductions are "surplus" to the reductions achieved under the Smog Check II program.

To establish operating conditions for these two types of programs, the BAR adopted its VAVR regulations on December 3, 1998; whereas, the ARB adopted its present VAVR regulations on October 22, 1999.

Notwithstanding that the two VAVR programs serve different purposes, the Health and Safety Code requires that the two programs operate in "harmony." Specifically, Section 44102 states:

> "(a) The state board, the Department of Motor Vehicles, and the department shall *harmonize the requirements* (emphasis added) and implementation of this program with the motor vehicle inspection program and other programs contained in this chapter, particularly the provisions relating to gross polluters in Article 8 (commencing with Section 44080) and the repair or removal of high polluters in Article 9 (commencing with Section 44090).
>
> (b) Insofar as practicable, *these programs shall be seamless to the participants and the public* (emphasis added)."

For the most part, the two types of VAVR programs have operated without significant conflict. Specifically, the price offered by BAR to retire a vehicle was generally less than the price offered to retire a vehicle under the local MSERC programs, i.e., $450 versus $500 - $700 per vehicle, respectively. Therefore, enterprise operators and local districts considered the two programs “compatible” and did not complain about the regulatory differences.

However, this situation quickly changed on July 1, 2000, when BAR increased the amount paid to the consumer from $450 per vehicle to $1,000 per vehicle. This action created a substantial differential between the two programs and caused at least the perception that the two programs were in “competition.” In reality, BAR’s program targets vehicles failing their biennial inspection; whereas, the private sector programs operated under the ARB regulations target vehicles that pass or are exempted from the biennial inspection.

In addition, BAR’s increase to $1,000 per vehicle focused attention on the regulatory differences between the two types of programs. In fact, many interested parties consider the BAR vehicle eligibility regulations to be much less stringent than the ARB vehicle eligibility regulations. For example, to be eligible for vehicle retirement, ARB regulations require that a vehicle must have windshield wipers and mirrors present and operable; whereas, BAR regulations are silent on these two items.

As a direct result, many stakeholders believe that the cost differential combined with the regulatory differences, makes the MSERC type VAVR programs NOT competitive with the BAR VAVR program. These stakeholders further complain that the combined cost differential and regulatory differences jeopardize MSERC program viability.

However, it should be noted that the more stringent ARB regulations attempt to ensure that a vehicle is being driven on a regular basis prior to retirement to ensure that emission credit is not given or taken for vehicles that are, in reality, sitting idle and not being driven. On the other hand, vehicles retired under BAR’s VAVR program generate no “credits”; therefore, it is less critical to air quality that BAR ensures that the vehicle is actually being driven on the road.

With respect to the cost differential, the market place controls the price offered for vehicles retired under ARB regulations. It is beyond the scope of ARB authority to regulate these prices or the prices offered under BAR’s program. On the other hand, ARB does have the authority (and responsibility) to minimize regulatory differences between the two types of programs.

ARB Staff Proposal to "Harmonize" Vehicle Eligibility Requirements

As previously stated, the Health and Safety Code requires that the ARB/BAR VAVR programs operate in "harmony".

At workshops and meetings held this year to review the ARB's VAVR regulations, as well as, in response to the preliminary ARB staff report, several groups (classic car clubs, after-market parts manufacturers, scrap dealers, and local air districts) provided public and written comments about the ARB regulations. In fact, participating districts and dismantlers reported that the present ARB vehicle eligibility requirements impose measurable hardships on the MSERC programs. Finally, almost all interested parties noted that Section 44102(a) of the Health and Safety Code *requires* the ARB VAVR regulations to be harmonious with respect to BAR's VAVR program.

With few exceptions, the participants recommended that ARB revise the ARB regulations to closely follow the vehicle eligibility requirements specified in BAR regulations. However, it should be noted that one reviewer took exception to suggestions urging the ARB to simplify vehicle eligibility regulations to conform to BAR regulations. This reviewer believed that this would have the effect of allowing more vehicles to become eligible for scrappage at the expense of a greater number of such vehicles not having actually been driven on a regular basis. Thus, their reasoning was that MSERC's would be claimed for vehicles, which are not in fact true contributors to the emissions inventory.

The following Table 1 presents a side-by-side comparison of ARB and BAR vehicle eligibility requirements (Appendix 1 presents the actual text of the proposed regulatory changes). Please note that ARB staff proposes to amend current ARB regulations to delete those words shown in strikethrough and add those words underlined. If approved, these regulatory changes will "harmonize" ARB regulations with BAR regulations with only two exceptions as discussed below.

First, the proposed revised ARB regulations still require that a vehicle must drive 25 feet in reverse; whereas, BAR's regulations contain no requirement that the vehicle be capable of driving in reverse. ARB staff believes that vehicles that cannot be driven in reverse, generally drive infrequently, at best. Therefore, this requirement is needed to ensure that the credits claimed under MSERC programs are credible. An increase in emissions can actually result when an infrequently driven or non-operating vehicle is retired (once the credit is used).

Second, ARB proposed vehicle registration requirements continue to differ with BAR regulations. Specifically, BAR regulations do not allow an expired registration greater than 120 days after the postmark on the VAVR application. Essentially, under BAR's regulations, the consumer may allow vehicle registration to lapse for up to 120 days after failing the smog inspection. BAR included this provision to allow the consumer 120 days to decide between repairs versus vehicle retirement.

Table 1

Side-by-Side Comparison of Vehicle Eligibility Requirements ARB Regulations versus BAR Regulations

Category	ARB Regulations	BAR Regulations
Doors	All doors present ~~and operable without tie-downs such as rope, etc~~.	All doors present
Hood	Hood lid present ~~and latched without tie-downs such as bungee cord, etc~~.	Hood lid present
Dashboard	Dashboard present. ~~Warning lights and gauges must be original.~~	Dashboard present
Windshield	Windshield present. ~~No holes or tape over holes. Windshield wipers present and working.~~	Windshield present
Side windows	~~Both~~ One side window~~s~~ present.	One side window present.
Pedals	Interior Pedals operational ~~present with flat surface~~.	Interior pedals operational
Panels	~~Original~~ All side and/or quarter panels present~~, not cause non-operation~~.	All side and/or quarter panels present
Lights	~~Both~~ One headlight~~s~~, one taillight~~s~~, and one brake light~~s~~ present.	One headlight, one taillight and one brake light present
Trunk	~~Trunk lid closed, no rope, etc.~~	(No requirement)
Seats	Driver's seat present~~, stays up~~.	Driver's seat present
Bumpers and fenders	~~Both original~~ One bumper~~s, not cause non-operation~~ present.	One bumper present
Exhaust	~~Original~~ exhaust system present~~, not cause non-operation~~.	Exhaust system present
Holes	~~No holes in floor or passenger compartment.~~	(No requirement)
Drive-ability/operability	Drive forward and in reverse ? 25 feet. ~~Idle and operate ? 10 seconds. Drive ? 100 feet and stop with brakes. First 60 feet ? 5.5 seconds in dry weather, ? 8.5 seconds in wet weather. Return to start point.~~	Drive forward ? 10 yards under own power. **(ARB regulations will keep driving forward and reverse for 25 feet.)**
Reasons for Rejection	~~No stalling or whine and other sounds. Brake goes to floor~~.	(No requirement)
Double Eligibility Criteria	~~Turn lights, door panels, front windows, and mirrors present and operational. No make-shift brackets. No exterior holes two inches at widest~~	(No requirement)
Ineligible Vehicles	Can not be under Smog Check economic hardship/waiver. ~~Must not be high-emitter or gross polluter.~~	Can be under BAR economic hardship extension/waiver.

On the other hand, current ARB VAVR regulations allow planned non-operation status for up to 2 months and/or a registration lapse of up to 180 days within the last 24 months prior to retirement. However, the vehicle must be registered as operational during the last 3 months of the 24-month period (two complete registration cycles). This provides some level of confidence that the vehicle is truly driven on the road because to be registered, the vehicle must pass the necessary smog inspection and, even more importantly, be currently insured. It is doubtful that a consumer would expend funds to meet these requirements unless they truly intended to drive the vehicle.

Notwithstanding this, the ARB staff proposes to amend regulations to further simplify vehicle registration eligibility requirements. Specifically, staff proposes to replace the limits in registration lapse with a requirement that the vehicle be registered as an operating vehicle for at least the last 120 days prior to retirement. This means, as a registered operating vehicle, the vehicle passes the most recently required smog inspection (if required for registration), the vehicle is insured; and, all fees have been paid.

It should be noted that this represents a substantial change from current regulations in that there is no requirement that the vehicle be registered for two consecutive registration cycles. Therefore, under this proposed revision, it is more possible for a vehicle to be *imported* into the local district and retired for credit than would be possible under current regulations. However, ARB staff believes this risk is minimal given the current economics of MSERC programs, i.e., a vehicle would have to be imported to the district (at some cost), then held for the required 7-day waiting period (at some cost) just to be sold for $500 to $700 with very little or no profit margin.

As previously noted, almost all interested parties agreed that ARB vehicle eligibility regulations should be revised to more closely mimic the BAR regulations. However, notwithstanding this, participants also proposed two interesting alternatives to the eligibility requirements specified in BAR and/or ARB regulations:

The first alternative proposal was to simplify the vehicle eligibility requirements to only one primary requirement, i.e., verification of vehicle odometer information, using BAR Vehicle Information Database (VID) data, to verify that the vehicle being retired traveled a specified average number of miles in a given year. The reviewer opined that this would simplify program administration and reduce costs while also making the program easier for the public to understand and accept. In addition, this approach addresses a primary concern with the MSERC programs, i.e., ensuring that the credits claimed relate to the actual vehicle emissions.

To evaluate feasibility, ARB staff researched available studies performed by BAR to assess the reliability of vehicle specific VID odometer data. ARB staff found that, although BAR uses VID odometer data to calculate *average annual VMT*, the VID data set must be purged to eliminate potentially inaccurate or misleading odometer entries. As example, BAR rejects an odometer reading when it is less than the odometer reading from the previous Smog Check, i.e., the odometer ran backwards. Furthermore,

in their annual VMT report[1], BAR stated that out of approximately 10 million vehicle smog check records, they purged nearly 4 million records (40%) for one reason or another (including odometer readings). Consequently, although BAR utilizes the purged VID odometer data to calculate a statistically reliable average annual VMT, ARB staff concluded that VID odometer data was *not* reliable to determine vehicle specific vehicle miles traveled. Therefore, ARB staff rejected this alternative vehicle eligibility proposal.

It should be also noted that, rather than VID odometer data, one reviewer proposed using on-road remote sensing data to verify that a vehicle is actually being driven, as well as, to assess the vehicle's emissions. This proposal has some merit and ARB staff intends to consider this proposal pending the results of BAR's scheduled remote sensing feasibility study.

The second alternative proposal was suggested by one of the local air districts. The district proposed that the vehicle eligibility requirements be consistent with the motor vehicle code. Specifically, under this proposal, it is assumed that if the vehicle meets vehicle code requirements, it is considered to be both road-worthy and being driven; therefore, it is eligible to be retired under MSERC programs. Any vehicle NOT in compliance with the vehicle code, would NOT be eligible for retirement unless and until necessary repairs were performed.

ARB staff rejected this proposal because compliance with vehicle code requirements does not accurately indicate if a vehicle is actually being operated on the road. More precisely, it is extremely common to see vehicles on the road that are obviously not in compliance with the vehicle code (as example broken tail or head lights). Further ARB staff believes that it would be wasteful to require these vehicles to be brought into compliance, then to immediately retire the vehicle. Finally, ARB staff suggests that, if a vehicle is not in compliance with the vehicle code, then this is an indicator that the vehicle is relatively poorly maintained (even though it may pass smog inspection) and these are the specific vehicles that should be targeted for MSERC programs.

[1] Methodology for Calculating Vehicle Miles Traveled (VMT), Smog Check Performance Evaluation, Report 2000-06, Engineering and Research Branch, Bureau of Automotive Repair, September 30, 2000.

The Parts Recovery Issue

While the VAVR parts recovery issue continues to be controversial, it is important to understand the actual magnitude of current MSERC VAVR programs, Table 2 shows the total number of vehicles retired under MSERC programs for the year 2000. As Table 2 shows, only 6,901 vehicles were retired under these programs, or approximately 0.3% of the State's total 1966 through 1981 vehicle population. Also note that this is only 2.8% of the approximately 250,000 total vehicles[2] annually retired in the state from all sources, not just the MSERC programs.

It should also be noted that while Table 2 shows the total number of vehicles retired under ARB regulations in the year 2000, only two of the districts, the Bay Area and the South Coast, use the "credits" generated under their MSERC programs against other SIP requirements. Both these districts apply the credits generated against "trip reductions" specified in their local plans. None of the credits are currently sold to stationary sources as is commonly believed.

Table 2
Vehicles Retired Under ARB Regulations for Year 2000

District	No. Vehicles
Bay Area	3,821
South Coast	2,626
Santa Barbara	282
San Diego	172
Total	**6,901**

Specifically with respect to parts recovery and resale, under current regulations, neither BAR, nor ARB allows parts recovery. In fact, the CCR, Title 13, §2604, ARB regulations state:

> "…(2) No parts may be removed, for sale or reuse, from any vehicle retired for the purpose of generating emission reduction credits. The only allowable use for any retired vehicle is as a source of scrap metal and other scrap material;
>
> (A) An enterprise operator may separate ferrous and non-ferrous metals prior to vehicle retirement to sell as a source of scrap metal only;
>
> (B) An enterprise operator may sell tires and batteries to an intermediary tire/battery recycler only. All facilities generating or receiving waste tires must use the services of a registered tire hauler/recycler. Battery recyclers must be registered and licensed to handle batteries;…"

Notwithstanding the above, Health and Safety Code, Section 44120, states:

[2] Estimate from State of California Auto Dismantlers Association.

> "44120. Vehicle disposal under the program *(VAVR programs operating under ARB regulations)* shall be consistent with appropriate state board guidance and provisions of the Vehicle Code dealing with vehicle disposal and parts reuse, and shall do both of the following:
>
> (a) *Allow for trading, sale, and resale of the vehicles between licensed auto dismantlers or other appropriate parties to maximize the salvage value of the vehicles through the recycling, sales, and use of parts of the vehicles,* (emphasis added) consistent with the Vehicle Code and appropriate state board guidelines."

According to several interested parties, including the Legislative Council, ARB's parts recycling prohibition regulation (CCR, Title 13, §2604) appears to conflict with the Health and Safety Code, Section 44120, which provides for parts recovery. In addition, this issue was raised during the public comment period by the Automotive Parts and Accessories Association, Pick-Ups Ltd., the Specialty Equipment Market Association and numerous private parties as follows:

> "Section 44120 of the Health and Safety Code mandates that all scrappage programs allow for parts recycling. This requirement helps make the program more economically viable. It was inserted in Senate Bill 501 to satisfy the concerns of aftermarket parts and service providers and car collectors that only emission-related parts would be destroyed. ARB regulations ignore this legislative mandate."

In the final statement of reasons for rulemaking, ARB staff disagreed with this comment and argued that a conflict between the ARB proposed regulations and the Health and Safety Code, Section 44120 does <u>not</u> exist. Specifically, ARB wrote:

> "Health and Safety Code Section 44120(a) states that the disposal of vehicles retired in accordance with the regulations adopted pursuant to SB 501 shall: *<u>"Allow for trading, sale, and resale of the vehicles between licensed auto dismantlers or other appropriate parties</u>* (emphasis added) to maximize the salvage value of the vehicles through the recycling, sales, and use of parts of the vehicles, consistent with the Vehicle Code and appropriate state board guidelines." First, the Vehicle Code provides the Department of Motor Vehicles mechanisms for "electronically" retiring a vehicle. These mechanisms allow for, but do not require, the resale and reuse of most vehicle components. Second, the VAVR regulations, which prohibit all vehicle parts resale and reuse from vehicles retired to generate mobile source emission reduction credits, do allow for recycling of the vehicle as scrap metal or other scrap material. These regulations represent the "appropriate state board guidelines" referenced in Health and Safety Code Section 44120(a). Third, the Bureau of Automotive Repair (BAR) has adopted the Vehicle Retirement Program. The Vehicle Retirement Program allows for no recycling of parts other than batteries and tires except as scrap metal or other scrap material. Health and Safety Code §44102 mandates that BAR and ARB harmonize the requirements and implementation of

> the respective vehicle retirement programs. Finally, it is important to note that the South Coast Rule, 1610, recently came under public scrutiny for allowing dismantlers to sell parts. The sale of parts in this program resulted in parts being used on vehicles that would not have qualified for the scrapping program without being "fixed up", thereby producing emission reduction credits that are not surplus. There is no way to ensure that parts resold and reused once a vehicle has been retired in a VAVR program are not used to keep another high polluter on the road or to "fix up" a vehicle that would have been retired through natural attrition but is, instead, retired in a VAVR program. Thus, in accordance with Health and Safety Code §44121 which states that " The state board shall develop standards for the certification and use of emission reduction credits to ensure that the credits are real, surplus, and quantifiable" the VAVR regulations do not allow for parts reuse."

Finally, ARB staff notes that the Health and Safety Code, Section 44210 (b), requires vehicles with special collector interests to be set aside for resale to the public and current regulations provide for this via a 7-day waiting period before a vehicle can be crushed. Specifically, the CCR, Title 13, §2604, ARB regulations state:

> "There shall be a minimum period of seven (7) days between the time a vehicle is first offered for sale into a VAVR enterprise and the time of completion of the sale..."

Therefore, this mandatory waiting period provision meets both the intent and text of the Health and Safety Code, Section 44120 (a). Specifically, the purpose of the mandatory waiting period is to "allow for trading, sale, and resale of the vehicles between licensed auto dismantlers or other appropriate parties to maximize the salvage value of the vehicles through the recycling, sales, and use of parts of the vehicles".

During this period, the regulations require the dismantler to notify the local district and provide a description of the vehicle and the date and approximate time when the vehicle is scheduled to be delivered for final sale to the enterprise operator. In addition, ARB regulations require the district to publish this information with the intent to allow car collector enthusiasts and those interested in affordable transportation to examine the car and purchase the vehicle before it is otherwise sold to the VAVR enterprise. If the vehicle is sold, the regulations disallow the dismantler to receive any emission reduction credits.

Notwithstanding the mandatory waiting period, it should also be noted that MSERC program operators report that **no licensed dismantler or other appropriate party** has purchased any vehicle submitted for retirement under these programs. This leads these program operators to conclude that these vehicles have little or no parts recovery or collector car value.

It is also important to note that the Office of Administrative Law (OAL) reviewed the ARB regulation proposal and staff's response to public comments regarding the parts recovery prohibition. Importantly, OAL approved the ARB regulation as proposed.

However, the ARB's parts recovery prohibition continues to be an issue with interested parties such as classic car collectors, aftermarket parts manufacturers, local districts and dismantlers. In addition, the perception remains that ARB regulations conflict with existing statutes.

In fact, on February 26, 1999, Senator Johannessen introduced Senate Bill 1058 (SB 1058). This bill would have required MSERC VAVR programs "to be operated in a manner that results in the maximum availability of vehicles and parts of vehicles for sale and reuse for the purposes of recycling, remanufacturing, rebuilding, repair, restoration, voluntary upgrade and maintenance by the public". The bill would require vehicles delivered and processed at the dismantler's facility for the program to be made available for resale, including a requirement that a list of the vehicles be made available to the public. The bill would specify that vehicles shall not be required to be destroyed, and would provide that any funds available to the dismantler under the program would be reduced by the value of parts that are sold from that vehicle. The bill would also provide that whole vehicles, and vehicles from which emission-related parts have been sold, are not eligible for the emission credits or other compensation with public funds.

Ultimately, Senator Johannessen agreed to "table" the bill to provide the ARB an opportunity to re-examine the VAVR regulations. In response, the ARB agreed to revisit their VAVR regulations.

As previously mentioned, to thoroughly re-examine the VAVR regulations, ARB staff conducted several informal workshops and meetings earlier this year, and released a preliminary staff report.

Two opposing parts recovery views summarize the various outlooks presented at the workshops:

1. Promote or facilitate parts recovery to improve VAVR cost-effectiveness; to provide low-cost parts for vehicle repair for low-income consumers; and, to comply with existing statutory mandates; or,

2. Discourage parts recovery to promote the credibility of MSERC programs; and, to prevent the use of parts from retired vehicles to extend the life of other older, high emitting vehicles that would otherwise be taken out of service.

The following is a summary of the positions of the various interest groups:

Classic Car Collectors – The classic car collectors contend that the destruction of parts from older cars causes an irreversible loss of parts that are typically needed and used to restore cars with significant California historical value. As hobbyists, they take

much pride in the restoration of older classic cars to near mint condition and contend that these vehicles run as clean as possible. Specifically, they contend that the parts recovery prohibition significantly diminishes parts availability, thus resulting in higher costs to restore classic vehicles.

In addition, these groups argue that classic cars cause an insignificant impact on air quality because owners drive these vehicles very few miles during any given year.

These enthusiasts also contend that the ARB significantly diminishes MSERC program cost effectiveness by not permitting parts recovery and resale. Therefore, since public funds are sometimes used to support the MSERC programs, public funds are being squandered.

Finally, these groups maintain that the ARB regulations do not adhere to the Health and Safety Code, Section 44120, to maximize salvage of parts acquired from VAVR programs.

After-market parts industry – The after-market parts industry maintains that the parts recycling prohibition reduces the number of older cars utilizing parts this industry produces; thus, causing a loss in earnings and profits. They believe parts recovery increases the availability of classic cars; thus, benefiting after-market parts manufacturers.

Alternately, many after-market parts makers propose voluntary vehicle repair and upgrade as an alternative to scrap programs. They claim that such programs dramatically improve emission performance from older vehicles. These manufacturers point to the pilot repair-upgrade program operated by the San Diego Air Pollution Control District (SDPCD) which demonstrates emission reductions through repair/upgrade. Supporters claim the pilot program realizes twice the emissions benefits of vehicle retirement programs. However, please note that the SDPCD (which operated the upgrade program) concluded that the actual cost of the upgrade program is at least four times more expensive than vehicle retirement in terms of dollars per ton of emission reductions.

Dismantlers –Vehicle dismantlers are in two “camps”, solely depending on their business structure:

- Enterprise operators primarily retiring vehicles to sell MSERCs view parts recovery as an additional administrative burden lacking cost effectiveness. More specifically, enterprise operators that retire vehicles to sell MSERCs are typically large-scale operators that rotate inventories of vehicles waiting to be crushed in large yards. The removal of recyclable parts slows the movement of scrapped vehicles. In addition, the large yards struggle to track vehicles and maintain data on parts resold. Therefore, these MSERC dismantlers opt not to recycle parts.

- Dismantlers which target vehicles with parts recovery value and who also target the classic car enthusiasts or other consumers performing "self repairs" depend on parts recovery to generate revenue. These dismantlers have similar interests and positions as classic car clubs and after-market parts manufacturers. These dismantlers generate revenue by recycling parts and therefore contend that the prohibition of parts recycling degrades revenue generation for the MSERC program. Since the recycling of parts produces their main source of income, they support parts resale.

Environmentalists – Environmentalists contend that no real emission reductions occur when parts are recycled because upon vehicle retirement, the emissions are "*transferred* " to another vehicle marginally passing Smog Check, thus keeping the second vehicle on the road longer than would otherwise be the case. Therefore, they claim the allowance of parts recovery causes MSERC programs to become a "sham."

In addition, environmentalists believe that worn/damaged recycled parts from retired vehicles may actually cause emissions to increase in the second vehicle compared to no parts recovery which would cause the consumer to replace the part with a new or re-manufactured part.

Traditional environmentalists did not attend the 2001 workshops, and did not submit any comments to the ARB this year on parts recycling. However, at past workshops, environmentalists have opposed parts recovery and support ARB VAVR regulations (CCR, Title 13, §2604) which prohibit parts recycling.

Options for Parts Recovery

The following is a description of the three parts recovery options that were included in the preliminary staff report that was also released for public review and comment.

Option 1 - **No parts recycling or resale is allowed (No change to current ARB regulations)**

Pros

- Best for air quality. This option minimizes the possibility that recycled parts will be used to prolong the life of other older vehicles.

- Adds credibility to the MSERC programs by ensuring that the credits claimed are real.

- Requires no change to existing ARB regulations.

Cons

- Continues at least the perception that existing ARB regulations violate the provision in the Health and Safety Code, Section 44120(a), which states, "Allow for trading, sale, and resale of the vehicles between licensed auto dismantlers or other appropriate parties to maximize the salvage value of the vehicles through the recycling, sales, and use of parts of the vehicles, consistent with the Vehicle Code and appropriate state board guidelines."

- May decrease cost effectiveness of VAVR programs.

- May affect price and availability of parts to maintain classic cars or vehicles owned by low-income consumers.

Option 2 – Allow parts recovery except for "emission- related" parts[3] and drive train parts[4]

Under option 2, the engine, emission-related parts, transmission, and drive train parts would be removed and destroyed. The remainder of the vehicle could be resold; however, it is important to note that parts recovery is ***permissive, not mandatory.*** The *enterprise operator* decides whether or not to resell parts from a vehicle being retired under the MSERC program.

Under this option, ARB regulations would specify how emission-related parts and drive train parts are to be removed before the non-emission-related and non-drive train parts are made available for parts recovery. These regulations would also specify the requirements and procedures to be used by the dismantler to destroy the emission-related and drive train parts. Specifically,

> "The part will be considered destroyed when it has been punched, crushed, shredded or otherwise rendered permanently and irreversibly incapable of functioning as originally intended."

To allow time for classic car enthusiasts to examine and/or purchase a VAVR vehicle (before it is sold to the enterprise operator), the ARB VAVR regulations currently require a mandatory 7-day waiting period in which the dismantler provides the vehicle

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[3] 13 CCR §1900(b)(3) - "Emissions-related part" means any automotive part, which affects any regulated emissions from a motor vehicle that is subject to California or federal emissions standards. This includes, at a minimum, those parts specified in the "Emissions-Related Parts List," adopted by the State Board on November 4, 1977, as last amended May 19, 1981 (and amended June 1, 1990). (See ARB Emissions-related parts list in Appendix 2)

[4] Drive train parts are all parts associated with the drive train such as engine, drive mechanism, transmission, differential, axles and brakes.

description to the local district. The local district then publicizes the vehicle description so that the vehicle is available for sale to the public for a minimum of 7 days. If the vehicle is sold then MSERCs cannot be claimed for that vehicle.

If the vehicle is not sold, the dismantler inspects the vehicle per ARB VAVR eligibility requirements or more stringent local district regulations. Upon verifying the vehicle passes the eligibility requirements, the dismantler then decides whether or not to recover non-emission-related and non-drive train parts. If the enterprise operator doesn't intend to recover parts, then the vehicle is crushed within 90 days of the sale.

Under option 2, a decision by the dismantler to recover non-emission-related and non-drive train parts requires the dismantler to remove and destroy the emission-related parts (per the ARB Emission-Related Parts List) and the drive train parts before non-emission-related and non-drive train parts are made available for consumer purchase. If the dismantler sells any emission-related or drive train parts, MSERCs are not allowed per ARB VAVR regulations.

ARB staff has created a *preliminary* model checklist (shown in Appendix 3) providing a list of emission-related and drive train parts with check boxes for status, i.e., "removed" and "destroyed." The checklist is designed to be resistant to error yet practical and feasible with respect to the operations of a typical dismantler. The dismantler completes the checklist as the emission-related and drive train parts are destroyed.

After all emission-related and drive train parts are removed and destroyed, a quality control inspector (designated by the dismantler) performs an inspection of the non-emission-related and non-drive train parts as well as the vehicle body. Upon verification that no emission-related parts or drive train parts have been misplaced with the non-emission-related and non-drive train parts, the quality control inspector signs the checklist. Finally, local districts would be required to audit all aspects of the program.

Pros

- Complies with Health and Safety Code, Section 44120.
- May enhance economic feasibility of MSERC vehicle retirement programs.
- May encourage more dismantlers to participate in MSERC programs, thus, facilitating consumer convenience.
- Voluntary enterprise operator participation ensures that the enterprise operator can choose and participate if there is sufficient economic incentive for parts recycling.

Cons

- More difficult to administer, i.e., effort is required to extract and destroy parts, diminishing the economic return from parts recovery.

- Continues environmental concerns that recycled parts keep older polluting vehicles on the road longer than natural life, thus jeopardizing the credibility of the credits generated under MSERC programs.

Option 3 - **Total recycling and resale of all parts, including emission related parts and drive train parts.**

A program that allows total recycling would require less administration than either option 1 or 2, since the monitoring of parts resale would not be required. However, vehicle eligibility would still be a requirement, therefore limited auditing by the local districts would be required.

Pros

- Maximizes program cost effectiveness.

- Like option 1, easy to administer.

Cons

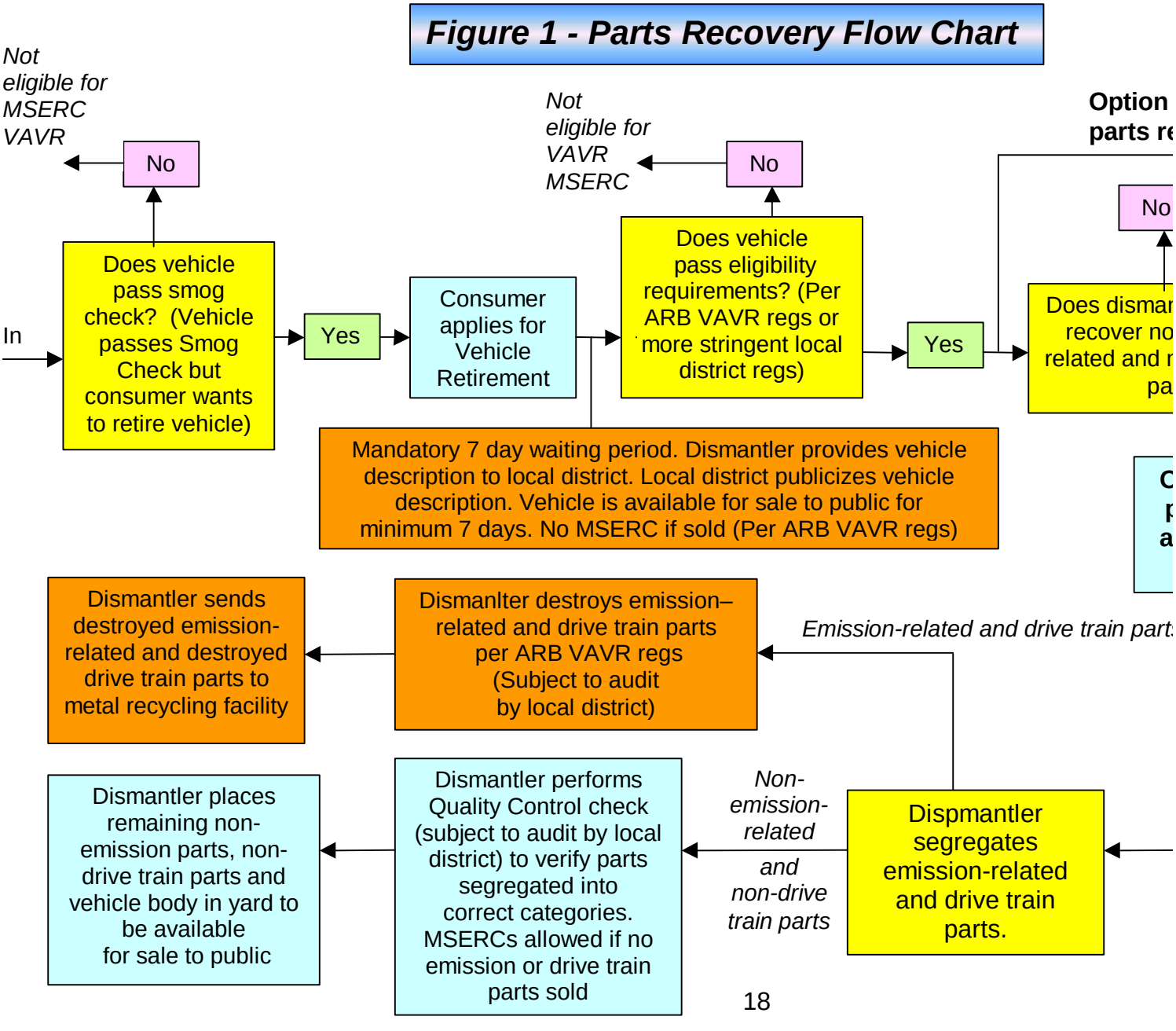
- May not result in real emission reductions.

- MSERCs difficult to quantify.

- Causes lack of credibility of the credits generated under MSERC programs.

Figure 1 below shows the flow chart for all three options including the basic requirements of the program.

Figure 1 - Parts Recovery Flow Chart



Public Comment to Parts Recovery Options

It should be noted that there is NO clear consensus for a preferred parts recovery option. Generally speaking, a constituent's position correlates directly to the constituent's business or hobby interests. Therefore, ARB staff recommends **Option 2** – **Allow parts recovery except for "emission- related" parts and drive train parts.** ARB staff believes that this option provides a reasonable compromise between the interests of the various constituents. The actual text of the proposed/recommended regulatory changes are included in Appendix 1.

The following discussion presents a summary of the many comments received regarding the three parts recovery options presented in the ARB preliminary staff report, as well as, the ARB staff response to the comments. This discussion provides a reasonable representation of the various issues and concerns regarding the options presented in the staff report.

Concerning legislative intent, one reviewer argued that the MSERC programs were intended to provide a *consumer* incentive, including parts recovery. Therefore, the ARB should amend its regulations to provide for maximum parts recycling. Specifically, one reviewer stated:

> "We continue to believe that the legislative intent relative to vehicle retirement programs was solely to incentivize consumers to scrap their vehicles sooner than they otherwise might have. We also believe this was to be done in such a way as to ensure that all parts would be made available for resale to the public and/or for commercial purposes such as rebuilding and remanufacturing. We do not believe the legislature intended to mandate the permanent destruction of vehicles and their parts, as is now required."

ARB staff disagrees with this assertion. Rather than providing a consumer incentive, ARB staff believes that the legislature passed SB 501 to provide flexibility to local air districts and others to use accelerated vehicle retirement as an alternative strategy to achieve SIP required emission reductions in lieu of other specified measures (i.e., trip reduction and/or additional stationary controls).

In addition, ARB staff reviewed the SB 501 legislative history and found nothing stating that the legislative intent was solely to provide a safety valve for consumers. On the contrary, the official California Legislative record contains an analysis presented at hearings on the Senate floor:

> "This bill would achieve needed emissions reductions to comply with the State Implementation Plan, *offset other government-mandated emission*

> *reductions, or for other air quality purposes at the lowest possible cost*. (emphasis added)"

Similarly, the legislative record contains an analysis presented to the Assembly floor, which states:

> "This bill attempts to create a privately-operated vehicle scrappage program with emissions reduction credits that can be bought and sold by public or private entities that have mobile emissions reductions requirements under any state or local air quality program."

Notwithstanding the above, ARB staff acknowledge that the legislature also intended to provide flexibility regarding parts recovery to improve program cost effectiveness and to address concerns raised by classic car enthusiasts.

Regarding this specific legislative provision, many interested parties quoted the Health and Safety Code regarding the mandate to maximize recycling as part of the legislative intent for the MSERC programs. Many reviewers argued that this required the ARB to adopt regulations providing for maximum parts recovery. Specifically, one reviewer stated:

> "We would like to emphasize the California Health and Safety Code citation in the Introduction requiring VAVR programs to *"maximize the salvage value of vehicles through recycling, sales and use of parts..."* We believe this clearly indicates the legislative intent to accommodate the interests of car collectors, low-income citizens and commercial interests. We believe the subsequent reference to the Vehicle Code and state guidelines is intended to ensure that no related laws, either current or future, would be overridden by VAVR. We do not believe it was meant to provide an opportunity to reinterpret legislative intent through the mandated destruction of vehicles and parts."

This issue or assertion is adequately earlier in this staff report. In addition, staff points out that the reviewer's comment takes a section of the Health and Safety Code Section 44120(a) out-of-context. This section actually reads that MSERC programs shall "*Allow for trading, sale, and resale of the vehicles between licensed auto dismantlers or other appropriate parties* (emphasis added) to maximize the salvage value of the vehicles through the recycling sales and use of parts…". As previously stated, ARB staff believes that both the intent and text of this language is addressed via the 7-day mandatory waiting period provided for in the ARB MSERC program regulations. This regulatory provision is included specifically to "allow for trading, sale, and resale of the vehicles…to maximize the salvage value of the vehicles…"

Even if parts recovery were not "mandated" by statute, some reviewers argued that the ARB should provide for parts recovery if only to ensure parts availability

to repair older cars and classic cars. In addressing the merits of parts recycling, one reviewer expounded on the value of recycled parts towards emissions benefits and the difficulty of finding rare parts:

> "The percentage of vehicles retired by VAVR programs is not at issue. Arguments that only a relative few vehicles are scrapped by VAVR programs and that a sufficient supply of desired parts will be available via vehicles scrapped through other means is not accurate. Clearly this does not apply to rare, specific parts which are few in number and are of particular value to a specific vehicle. The simple fact is that mandated destruction of all parts in a VAVR setting will surely cause some number of valuable, rare, or irreplaceable parts to be lost forever. Similar parts from non-VAVR vehicles cannot replace these parts… Lastly, we disagree with the argument that the percentage of vehicles retired through VAVR programs is sufficiently low so as to not be a problem for car collectors and others in terms of the availability of parts. We continue to stress the issue is not one of percentages or of absolute numbers of parts, but rather it is one of specific parts being lost. The loss of even a relative few valuable or rare parts to various parties represents an unnecessary hardship."

In response, ARB staff notes the reviewer's concern about parts availability. However, studies performed by BAR show that auto dismantlers are interconnected via the Internet thus providing more than adequate parts accessibility even for the most rare parts. In addition, as previously mentioned, only 6,901 vehicles were retired under VAVR MSERC programs. Since this is approximately 0.3% of the State's total 1966 through 1981 vehicle population and only 2.8% of the approximately 250,000 total vehicles annually retired in the state from all sources, ARB staff continues to maintain that parts availability is *not* noticeably affected by the MSERC programs.

Lastly, ARB staff notes that BAR has *not* reported significant parts availability problems to repair older vehicles that fail smog inspection. This is further enforced via consideration of smog check waiver rates. The current smog check waiver rate is less than 0.5%. If parts availability were really an issue, the waiver rate would be much higher.

As previously noted, ARB regulations restrict parts recovery from MSERC vehicles partly due to the assertion that parts recovery facilitates continued operation of a vehicle that would otherwise be retired; thus, degrading air quality. Many participants in the workshops took issue with this assertion. Some went so far as to argue that the MSERC program had no effect on older vehicle populations. Therefore, credits granted for retirement are not "real". Specifically, one reviewer asserted:

> "We reject any assertion that parts resale will keep "another high polluter on the road," thus increasing pollution. We believe the number of vehicles in active/regular use are not affected by VAVR programs. The vast majority of vehicles scrapped are vehicles that were not the primary means of transportation. Data from previous scrappage programs (Unocal, Chevron) support this. The economics of the situation dictate that only the worst and least valuable vehicles will be submitted for retirement. Consequently, the overall size of the fleet of older vehicles in use will not be reduced to any noticeable degree by VAVR programs…
>
> We also believe the number of older vehicles in use will remain fairly constant due to economic factors…"

In responding to the conjecture that the number of "in-use" vehicles will remain constant over time, ARB staff cites data from the BAR Travel Fraction Calculator.[5] It is important to note that the Travel Fraction Calculator is based, in part, on actual Department of Motor Vehicle registration data; therefore, the credibility of the vehicle population data is very good. Using this BAR tool, in June 1997, the 1974-1981 model-year vehicle population was 2,667,019. However, by June 1999, the 1974-1981 model-year vehicle population was 1,908,152. This clearly shows that the vehicle population is reduced over time. This reduction in vehicle population is due to all forms of vehicle retirement, including the MSERC programs. Therefore, it is *not* valid to assert that "…the overall size of the fleet of older vehicles in use will not be reduced to any noticeable degree by VAVR programs".

[5] Smog Check Fleet Travel Fraction Calculator, Release Version 10, Bureau of Automotive Repairs, February 22, 2000

APPENDIX 1

REGULATION ORDER

Amend Title 13, California Code of Regulations, Chapter 13, Article 1, Sections 2600 – 2610, to read as set forth on the following pages:

Section 2600	- Purpose
Section 2601	- Definitions
Section 2602	- District Responsibility
Section 2603	- Vehicle Eligibility
Section 2604	- Voluntary Accelerated Vehicle Retirement Enterprise Operator Requirements
Section 2605	- Offering Vehicles to the Public
Section 2606	- Advertising
Section 2607	- Emission Reduction Credits
Section 2608	- Records, Auditing, and Enforcement
Section 2609	- Pilot Program
Section 2610	- Procurement of Credits for SIP Measure M1

Note: The entire text of the regulations is new language to be added to the California Code of Regulations.

Amend Title 13, California Code of Regulations, Chapter 13, Article 1, Sections 2600 - 2610 to read as follows:

Title 13, California Code of Regulations
Division 3, Air Resources Board
Chapter 13, Voluntary Accelerated Vehicle Retirement Enterprises
Article 1, Voluntary Accelerated Light-Duty Vehicle Retirement Enterprises

§2600 Purpose:

(a) The provisions of this article apply to the generation of emission reduction credits through the accelerated retirement of light-duty on-road motor vehicles, including passenger cars and light-duty trucks.

(b) Within five years from the effective date of adoption or date of implementation, whichever comes later, the Air Resources Board, in consultation with the Secretary for Environmental Protection, shall review the provisions of this chapter to determine whether it should be retained, revised or repealed.

NOTE: Authority cited: Sections 39600, 39601, and 44101 Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100 and 44101, Health and Safety Code.

§2601 Definitions:

(a) "voluntary accelerated vehicle retirement" ("VAVR") means the use of cash payments or other incentives to encourage a vehicle owner to voluntarily retire his or her vehicle from service earlier than otherwise would have occurred;

(b) "Inspection and Maintenance Program" ("I/M") or "Smog Check" means the motor vehicle inspection program established by the Health and Safety Code section 44000, et seq.;

(c) "enterprise operator" means a person who conducts a voluntary accelerated vehicle retirement enterprise according to these regulations. The enterprise operator purchases vehicles, arranges for a vehicle's permanent removal from operation, and receives any emission reduction credit generated thereby;

(d) "dismantler" means the person or business, defined and licensed according to the requirements of the California Vehicle Code §220, §221, §11500, et seq., and other business codes and the regulations of the Department of Motor Vehicles, who dismantles or otherwise removes from service those vehicles obtained as part of a voluntary accelerated vehicle retirement enterprise;

(e) "emission reduction credit" means a credit representing the amount of emission reductions from accelerated retirement of vehicles, which can be applied to the emission reduction obligations of another source or to air quality attainment goals. VAVR enterprises can generate emission reduction credits that may be sold on the open market;

(f) "pilot program" means a limited VAVR enterprise to be conducted under contract to the Air Resources Board ("ARB" or "Board"), to be completed no later than two (2) years following adoption of these regulations, with the intent of assessing the effectiveness of such enterprises and of these

regulations;

(g) "SIP" means the State Implementation Plan for ozone attainment, approved by the Board in 1994 and as subsequently amended;

(h) "measure M1" means the mobile source control measure of the SIP that calls for utilizing VAVR enterprises in the South Coast Air Basin for the purpose of achieving needed emission reductions;

(i) "NOx" means oxides of nitrogen, NO and NO_2, measured as NO_2, emitted in automotive exhaust;

(j) "CO" means carbon monoxide, as emitted in automotive exhaust;

(k) "PM" means particulate matter, as emitted in automotive exhaust;

(l) "ROG" means reactive organic gases, as emitted in both automotive exhaust and evaporative emissions;

(m) "district" means local air quality management district or air pollution control district that has responsibility for administering VAVR enterprises within its jurisdiction;

(n) "Executive Officer" means the Executive Officer of the Air Resources Board;

(o) "collector-interest vehicle" means any vehicle purchased by a car collector or car enthusiast primarily for its historic or esthetic value, rather than primarily as a means of transportation;

(p) "gross polluter" means a vehicle failing required emissions testing with emission levels in the gross polluter category, and which has not been repaired and subsequently retested to show its emission levels have been brought into compliance. This includes vehicles registered and operating under the authority of a repair cost waiver or economic hardship extension;

(q) "high emitter" means a vehicle failing required emissions testing with emission levels in the high emitter category, and which has not been repaired and subsequently retested to show its emission levels have been brought into compliance. This includes vehicles registered and operating under the authority of a repair cost waiver or economic hardship extension;

(r) "emissions-related part" means any automotive part, which affects any regulated emissions from a motor vehicle that is subject to California or federal emissions standards. This includes, at a minimum, those parts specified in the "Emissions-Related Parts List," adopted by the State Board on November 4, 1977, as last amended June 1, 1990.

(s) "drive train parts" are all parts associated with the drive train such as engine, drive mechanism, transmission, differential, axles and brakes.

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44081, 44090, 44100, 44101, 44102, 44103, 44105 and 44122, Health and Safety Code.

§2602 District Responsibility

(a) Within six (6) months of the date of adoption of these regulations, each district allowing the operation of VAVR enterprises within its jurisdiction shall implement and enforce these regulations, or shall amend existing rules to comply with these regulations;

(b) All operators of VAVR enterprises shall comply with district rules and these regulations;

(c) Each participating district shall have responsibility, with ARB oversight, for administering and auditing VAVR enterprises conducted within its jurisdiction;

(d) In accordance with all state, federal and local laws, rules and regulations, each participating district shall administer and monitor the use of credits generated by enterprises operated under these regulations and shall, with ARB oversight, certify or reject the accuracy and validity of any credits generated, as required; Each participating district will retain the records received according to subparagraphs §2608(a)(2) and (3) for a period not less than the life of the related credits;

(f) Each participating district shall be responsible for verifying that any vehicle accepted for participation in a VAVR enterprise within sixty-one to ninety
(61 - 90) days of its next required Smog Check inspection has not failed the Smog Check inspection during this time frame.

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100 and 44101, Health and Safety Code.

§2603 Vehicle Eligibility

(a) To be eligible for generation of emission reduction credits through a VAVR enterprise, a vehicle shall meet the following criteria:

(1) It shall be voluntarily sold to the enterprise operator for a price mutually agreed between the vehicle seller and the enterprise operator;

(2) It shall be currently registered with the Department of Motor Vehicles as an operable vehicle, and shall have been so registered for ~~twenty-four (24) consecutive months immediately~~ 120 days prior to the final date of sale to the VAVR enterprise, to an address or addresses within the district in which the enterprise is being operated. Smog Checks must be performed as required by the Department of Motor Vehicles in order for the vehicle to be considered registered;

~~(A) A vehicle may also be eligible if the owner of the vehicle placed the vehicle in planned non-operational status per Vehicle Code §4604, et seq., for a total of two (2) months during the continuous twenty-four (24) month registration period, occurring at least three (3) months prior to the date of sale to the VAVR enterprise. Smog Checks must be performed as required by the Department of Motor Vehicles in order for the vehicle to be considered registered;~~

~~(B) A vehicle may also be eligible if the registration has lapsed for a period not to exceed 180 days during the previous twenty-four (24) months and all appropriate registration fees and late penalties have been paid to the Department of Motor Vehicles, provided that~~

~~the vehicle is registered for at least ninety (90) days immediately prior to its date of sale to a VAVR enterprise. A Smog Check inspection must be performed as required by the Department of Motor Vehicles in order for the vehicle to be considered registered;~~
~~(C)~~ (A) If a vehicle owner has sold a vehicle to an enterprise operator within the previous twelve (12) months, any subsequent vehicles offered to the same enterprise operator must have been registered continuously to that owner for the previous twenty-four (24) month period, in addition to meeting all other requirements of this section;
~~(D)~~ (B) Determination of an individual vehicle's registration history shall be based on:
1. registration data for that vehicle obtained from Department of Motor Vehicles records
2. If (A) provides inconclusive results for an individual vehicle, then copies of the applicable vehicle registration certificates ~~or planned non-operation status certificates covering the necessary time period may be used~~;
(3) It shall be a passenger car or a light-duty truck;
(4) It shall be driven to the purchase site under its own power;
(5) It shall not be ~~a high emitter or a gross polluter, and shall not~~ be operating under a Smog Check repair cost waiver or economic hardship extension;
(6) If a vehicle volunteered for retirement is within sixty (60) days of its next required Smog Check inspection, the following criteria must be met:
(A) The vehicle shall pass the Smog Check inspection without receiving a repair cost waiver or economic hardship extension prior to acceptance by a VAVR enterprise operator;
(B) Owners of vehicles requiring Smog Check inspections pursuant to §2603(a)(6) shall be required to submit documentation issued by a licensed Smog Check station demonstrating compliance with §2603(a)(6)(A). The documentation shall be submitted to the person performing the functional and equipment eligibility inspection pursuant to §2603(b).
(b) Each vehicle shall pass a functional and equipment eligibility inspection performed by the VAVR enterprise operator or other ARB-approved inspector (inspector), conducted on-site at the VAVR enterprise location. The following elements shall be included in the inspection:
(1) The candidate vehicle must have been driven to the inspection site under its own power. If an inspector has knowledge that a vehicle was towed or pushed for any portion of the trip to the inspection site, then the inspector shall not approve the vehicle for eligibility in a VAVR program;
(2) The inspector shall inspect the vehicle to ensure it meets the following requirements and shall reject the vehicle for emission reduction credit generation if the vehicle fails any of these requirements;
(A) ~~All doors shall be present and at a minimum the driver's side door shall be operable in a two-door vehicle. For a four door vehicle, the driver's side door and one rear door shall be operable. Doors shall be deemed operable if they can open and remain closed without the use of ropes, wire, or tape, or any other add-on device or material that was not part of the original design of the vehicle;~~ All doors shall be present and in place.
~~(B) The trunk lid shall remain closed without the use of ropes, wire, or tape, or any other add-on device or material that was not part of original design of the vehicle~~
~~(C)~~ (B) ~~The hood (metal cover providing access to the engine) shall open and shall remain closed utilizing a functional latching mechanism without the use of bungee cords,~~

~~strapping, ropes, wire, or chains, or any other external device or material that was not part of the original design of the vehicle;~~ The hood shall be present and in place;
~~(D)~~ (C) ~~The dashboard shall contain warning lights and gauges (except clock and/or tachometer) as originally supplied by manufacturer, or functionally equivalent after market replacements;~~ The dashboard shall be in place;
~~(E)~~ (D) ~~Windshield wipers shall be present and operational;~~ Windshield shall be present.
~~(F) The windshield and rear window shall not contain any holes, or holes that are covered by tape or any other external component, or any other defective condition that impairs the driver's vision. In addition, the windshield and rear window shall not be held in place by external components that were not part of the original design of the vehicle;~~
~~(G)~~ (E) The driver's seat must be present ~~and the seat back shall not be reinforced or supported by add-on components such as blocks, tires, boards, or ropes in order to be functional~~;
~~(H)~~ (F) Interior pedals ~~(flat surface attached to a lever(s) controlling the brake, clutch, and accelerators)~~ shall be ~~present~~ operational;
~~(I)~~ (G) ~~The vehicle shall contain bumpers, fenders, exhaust system, and side and quarter panels as originally supplied by the manufacturer or after market part equivalent; these components shall not be damaged to the extent that the operability of the vehicle is impaired.~~ One bumper and all side and/or quarter panels shall be present. Vehicle driveability must not affected by any body, steering or suspension damage.
~~(J) The vehicle shall not contain any holes in the floorboard or any holes penetrating through the body into the passenger compartment. A hole originally designed into the floorboard by the vehicle manufacturer for drainage shall be exempt from this requirement.~~
~~(K)~~ (H) ~~Headlights as well as tail and brake lights shall be present and operational. Burned out light bulbs shall not result in a failure of this requirement provided that the operability of the above lighting systems can be verified.~~ One headlight, one taillight and one brake light shall be present.
~~(L)~~ (I) ~~Driver's side and opposing side window shall be present, and not supported by any add-on component that was not part of the original design of the vehicle. Other side windows or functional replacements shall be present;~~ One side window glass shall be present.
~~(M)~~ (J)The requirements of §2603(a)(5) and §2603(a)(6) regarding Smog Check status have been met;
~~(N) There should be no obvious indications that the vehicle is not operated on a routine basis for extended periods of time;~~
~~(3) The inspector shall inspect the vehicle to ensure it meets the following requirements and shall reject the vehicle for emission reduction credit generation if the vehicle fails any two of these requirements;~~
~~(A) Turn signal lights shall be present and operational. Burned out light bulbs shall not result in a failure of this requirement provided that the operability of the above lighting system can be verified;~~
~~(B) Driver's side window and opposing side passenger window shall be operational. Operability shall be determined by the inspector raising and lowering the windows using the window handle, crank, or power window switch located inside of vehicle. Inability of windows to be raised and lowered shall result in noncompliance with this requirement;~~

~~(C) Rear-view mirror and left-hand side-view mirror shall be present and operational;~~
~~(D) The vehicle shall contain interior door panels as originally supplied by the vehicle manufacturer or after market equivalent. Interior door panels shall be attached to the door without the use of any external device or material not designed for the vehicle;~~
~~(E) The vehicle body shall not contain any holes that exceed two inches in length at the widest point;~~
~~(4)~~ (3) The inspector shall complete the following functional inspection, and shall reject the vehicle for credit generation if the vehicle fails to complete ~~any one of the requirements. Prior to implementing the functional inspection, the vehicle engine shall be turned off;~~
~~(A);~~ ~~Insert key, vehicle engine shall start using keyed ignition system. In addition to the keyed ignition switch, ignition or fuel kill switch may be activated if required to start engine~~ the following test.
~~(B) Vehicle shall idle without the use of accelerator pedal for a minimum of ten seconds;~~
~~(C) Transmission shall be shifted into forward gear with brake pedal applied. Vehicle engine shall remain operating without use of accelerator pedal for a minimum of ten seconds. Vehicles equipped with manual transmissions shall be exempt from this requirement.~~
~~(D)~~ (A) Insert key, vehicle engine shall start using keyed ignition system. In addition to the keyed ignition switch, ignition or fuel kill switch may be activated if required to start engine. The Vehicle must start readily through ordinary means without the use of starting fluids or external booster batteries. The vehicle shall be driven forward and in reverse for a minimum of 25 feet under its own power;
~~(E) Under its own power, the vehicle shall be driven forward for a minimum of 100 feet starting at 0 miles per hour, and the vehicle shall completely stop at the end of this test using the vehicle's braking system. In dry weather conditions, the vehicle shall travel the first 60 feet of this test within 5.5 seconds. In wet weather conditions, the vehicle shall travel the first 60 feet of this test within 8.5 seconds. After 100 feet have been traveled, the vehicle shall turn around and return to its point of origin;~~
~~(5) The inspector shall reject the vehicle for emission reduction credit generation if any of the following occurs during implementation of the functional tests specified in §2603(b)(2), §2603(b)(3), and §2603(b)(4);~~
~~(A) Engine shuts down subsequent to keyed ignition start;~~
~~(B) Emissions of whining, grinding, clanking, squealing, or knocking noises, or noises from engine backfire;~~
~~(C) The brake pedal drops to the floor when the inspector attempts to stop the vehicle.~~
~~(6)~~ (4) Upon satisfactory completion of the inspection, the inspector will issue a certificate of functional and equipment eligibility.
(A) master copy of the certificate of functional and equipment eligibility is included in the document "Voluntary Accelerated Vehicle Retirement Certificate of Functional and Equipment Eligibility Inspection Form", as specified in Appendix A to this Article 1;
~~(7)~~ (5) Vehicles failing the requirements pursuant to §2603(b)(1)~~,~~ and §2603(b)~~(4)~~(3), ~~and §2603(b)(5)~~ may be re-tested by the inspector for compliance with these requirements and issued a certificate of functional and equipment eligibility provided the vehicle has traveled a minimum of 50 miles subsequent to the failure determination. Vehicles with inoperable vehicle odometers must be fixed prior to conducting this test.

Vehicles failing the requirements pursuant to §2603(b)(2) ~~and §2603(b)(3)~~ may be re-tested by the inspector for compliance with these requirements and issued a certificate of functional and equipment eligibility at any time after modifications have been made to the vehicle;

(c) Districts may adopt vehicle functional and equipment eligibility inspection requirements that are more stringent than those specified in §2603(b). In doing so, districts may not omit or weaken any of the required functional or equipment tests; they may only add additional tests or adopt a more stringent version of a specified test.

NOTE: Authority cited: Sections 39600, 39601, 44101, and 44102, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100, 44101, 44102, 44103 and 44107, Health and Safety Code.

§2604 VAVR Enterprise Operator Requirements

(a) The enterprise operator shall either:

(1) be an auto dismantler, licensed according to the requirements of the California Vehicle Code and other business codes and the regulations of the Department of Motor Vehicles, for the purpose of vehicle disposal after purchase, or:

(2) have a binding agreement with a duly authorized auto dismantler, for the purpose of vehicle disposal after purchase;

(b) At least thirty (30) days prior to commencing operations as a voluntary accelerated vehicle retirement enterprise operator, the operator shall notify the local district, in writing, of the intent to conduct such operations;

(1) The notification shall be submitted on forms specified by a district and shall contain information demonstrating the ability to comply with all provisions of this rule. This information shall include, but is not limited to, enterprise operator name and business address, licensed auto dismantler name and business address, anticipated initiation date and duration of vehicle retirement operation, time of vehicle intake, a written statement from the auto dismantler under penalty of perjury certifying compliance with local water conservation regulations, state, county, and city energy and hazardous materials response regulations, and local water agency soil, surface, and ground water contamination regulations, and any other information requested in applicable district rules;

(2) The local district shall have the right to refuse permission to generate emission reduction credits through voluntary accelerated vehicle retirement to any requesting operator deemed by the local district as not meeting the requirements of these regulations or any applicable district rules;

(3) The district may assess an application fee to cover the costs of this approval process;

(c) The enterprise operator shall be required to contract with an ARB-approved inspection entity, to provide inspector services to perform the vehicle functional and equipment eligibility inspection specified in section §2603(b) on-site at VAVR enterprise locations, if the VAVR enterprise operator is unable to or chooses not to perform this function;

(d) For a vehicle purchased as part of a VAVR enterprise and whose accelerated retirement creates emission reductions to be used as the basis for generating emission reduction credits, the enterprise operator shall:

(1) verify that the vehicle meets the vehicle registration eligibility requirements of §2603(a)(2); and

(2) obtain from the vehicle owner the certificate of functional and equipment eligibility issued per §2603(b);

(e) At time of final sale of a vehicle to the VAVR enterprise, the enterprise operator shall verify that the person delivering the vehicle for sale is the legal owner or an authorized representative of the legal owner, properly empowered to complete the sale;

~~(f) A vehicle purchased as part of a VAVR enterprise and whose accelerated retirement creates emission reductions that are to be used as the basis for generating emission reduction credits, shall be permanently destroyed by the enterprise operator, or the enterprise operator's duly contracted dismantler, within ninety (90) days of the date it is sold to the enterprise operator, and may not be resold to the public or put into operation in any way, except such a vehicle may be briefly operated for purposes related to the disposal of the vehicle as part of normal disposal procedures;~~

~~(1) For purposes of this regulation, the vehicle will be considered destroyed when it has been crushed or shredded or otherwise rendered permanently and irreversibly incapable of functioning as originally intended, and when all appropriate records maintained by the Department of Motor Vehicles have been updated to reflect that the vehicle has been acquired by a licensed auto dismantler for the purposes of dismantling.~~

~~(2) No parts may be removed, for sale or reuse, from any vehicle retired for the purpose of generating emission reduction credits. The only allowable use for any retired vehicle is as a source of scrap metal and other scrap material;~~

~~(A) An enterprise operator may separate ferrous and non-ferrous metals prior to vehicle retirement to sell as a source of scrap metal only;~~

~~(B) An enterprise operator may sell tires and batteries to an intermediary tire/battery recycler only. All facilities generating or receiving waste tires must use the services of a registered tire hauler/recycler. Battery recyclers must be registered and licensed to handle batteries;~~

~~(3) All vehicles from which emission reduction credits are to be generated must be confined in a holding area separate from other vehicles procured by the enterprise until they are permanently destroyed;~~

~~(4) All activities associated with retiring vehicles, including~~

~~but not limited to the disposal of vehicle fluids and vehicle components, shall comply with local water conservation regulations, state, county, and city energy and hazardous materials response regulations, and local water agency soil, surface, and ground water contamination regulations;~~

(g) The enterprise operator shall provide to the district, by the 5th day of each month, a list of all vehicles accepted for participation into a VAVR enterprise that are within sixty-one to ninety days (61-90) of their next required Smog Check inspection for the purpose of district compliance with §2602(f). Information to be provided for each vehicle includes, but is not limited to, vehicle identification number (VIN); vehicle license plate number; and vehicle make, model, and model year;

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100, 44101, 44102, 44103, 44105, 44107 and 44120 Health and Safety Code.

§2605 Offering Vehicles to the Public

(a) There shall be a minimum period of seven (7) days between the time a vehicle is first offered for sale into a VAVR enterprise and the time of completion of the sale, unless the vehicle owner represents that waiting a minimum of seven (7) days would impose an undue hardship, in which case the seven (7) day minimum waiting period and the requirement to provide the vehicle description and scheduled delivery information pursuant to §2605(a)(1) is waived:

(1) During this period, with the vehicle owner's permission, the enterprise operator will submit to the local district a description of the vehicle and the date and approximate time when the vehicle is scheduled to be delivered for final sale to the enterprise operator. The district will, in turn, make this information available to an appropriate segment of the public. The intent is to allow interested third parties, including car collector enthusiasts and those interested in affordable transportation, to be present at the scheduled time of delivery in order to contact the owner, examine the car and to negotiate with the owner for purchase of the vehicle before it is otherwise sold to the VAVR enterprise, should the vehicle be delivered as scheduled;

(A) The description shall include, at a minimum, the vehicle make, model, model year, and VIN, and the date and approximate time when the vehicle is scheduled to be delivered for sale to the VAVR enterprise, but no information identifying the owner will be permitted. When the district makes this information available to the public, the district will emphasize that while a vehicle is scheduled

for delivery, there is no guarantee that the vehicle will actually be delivered.

(B) The vehicle owner is free to accept or reject any resulting contact or purchase offer and shall be informed by the enterprise operator explicitly and prominently of such right;

(C) Nothing in this section places the enterprise operator under any obligation to provide space or facilities for such third party contacts, inspections or negotiations to take place;

(2) No emission reduction credits shall be granted for any vehicle resold to the public in this manner;

(b) At the enterprise operator's discretion, the enterprise operator may make a vehicle previously purchased as part of a voluntary accelerated vehicle retirement enterprise available for sale to the general public, provided:

(1) The enterprise operator contacts the seller of the vehicle to be made available for public purchase and receives permission to sell the vehicle to a member of the public. If the VAVR enterprise operator is unable to obtain permission from the seller within 90 days of purchasing the vehicle, it shall not be sold to a member of the public;

(2) The resale of the vehicle shall follow commonly accepted practices and all requirements of law and regulation in effect at time of resale;

(3) No emission reduction credits shall be granted for any vehicle resold to the public in this manner;

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100, 44101, 44102, 44103, 44105, 44107, 44109 and 44120, Health and Safety Code.

§2606 Parts Recycling and Resale

(a) Parts recycling and resale is limited to non-emission-related and non-drive train parts;

(1) Parts recovery is permissive for the VAVR enterprise operator, not mandatory. The enterprise operator may decide whether or not to resell parts from a vehicle being retired under the VAVR enterprise program;

(b) After the seven-day waiting period and prior to offering non-emission and non-drive train parts for resale, the engine, emission-related parts, transmission, and drive train parts must be removed and destroyed by the enterprise operator, or the enterprise operator's duly contracted dismantler:

(1) For the purpose of this regulation, a part will be considered destroyed when it has been punched, crushed, shredded or otherwise rendered permanently and irreversibly incapable of functioning as originally intended;

(2) A checklist is provided in Appendix A providing a list of emission-related and drive train parts with check boxes for status, i.e., "removed" and "destroyed";

(A) The VAVR Enterprise Operator must complete the checklist by adding check marks in the appropriate columns as the emission-related and drive train parts are removed and destroyed;
(B) For a part on the checklist not in the original design of the vehicle, "N/A" for "not applicable" is entered in lieu of a check mark;
(3) After all emission-related and drive train parts are removed and destroyed, a quality control inspector (designated by the VAVR Enterprise Operator) must perform an inspection of the non-emission-related and non-drive train parts as well as the vehicle body;
(4) Upon verification by the quality control inspector that no emission-related parts or drive train parts have been misplaced with the non-emission-related, and non-drive train parts, the quality control inspector must sign the checklist;
(5) After the quality control inspector signs the check list, the dismantler may place the remaining non-emission parts, non-drive train parts and vehicle body in yard to be available for sale to public;
(c) If the enterprise operator doesn't intend to recover parts, then the entire vehicle must be crushed within 90 days of the sale;
(1) No parts may be removed, for sale or reuse, from any crushed retired vehicle for the purpose of generating emission reduction credits. The only allowable use for any crushed retired vehicle is as a source of scrap metal and other scrap material;
(2) An enterprise operator may separate ferrous and non-ferrous metals from a crushed retired vehicle to sell as a source of scrap metal only;
(3) An enterprise operator may sell tires and batteries from a crushed retired vehicle to an intermediary tire/battery recycler only. All facilities generating or receiving waste tires must use the services of a registered tire hauler/recycler. Battery recyclers must be registered and licensed to handle batteries;
(d) No emission reduction credits or other compensation with public funds shall be granted for any vehicle from which emission-reduction or drive train parts have been sold;
(e) All activities associated with retiring vehicles, including but not limited to the disposal of vehicle fluids and vehicle components, shall comply with local water conservation regulations, state, county, and city energy and hazardous materials response regulations, and local water agency soil, surface, and ground water contamination regulations;
(f) Local districts are required to perform audits of all parts recycling and resale activities;

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100, 44101, 44102, 44103, 44105, 44107 and 44120 Health and Safety Code.

§26067 Advertising

(a) Any advertising conducted by an enterprise operator for the purpose of recruiting vehicle owners to sell their cars into a VAVR enterprise shall not contain any language stating that the VAVR enterprise is anything but

voluntary for the consumer or that the VAVR enterprise is affiliated with or is operated by the State of California;

(1) Any contracts or agreements between a vehicle seller and an enterprise operator relating to the sale of a vehicle to a VAVR enterprise shall not contain any language stating that the VAVR enterprise is anything but voluntary for the consumer or that the VAVR enterprise is affiliated with or is operated by the State of California;

(b) Any enterprise operator requesting the Department of Motor Vehicles to send notices to vehicle owners as prospective VAVR participants pursuant to Health and Safety Code §44103, shall meet the following requirements:

(1) Prominently display the disclaimer statement as follows: "This voluntary accelerated vehicle retirement enterprise is conducted by a private operator under the auspices of the State of California and your local air pollution control district/air quality management district. It is not operated by the State of California. State funds are not used for the purchase of vehicles. Depending on location and other factors, resulting emission reduction credits may be purchased by the state to result directly in air quality improvements. Your participation is entirely voluntary."

(2) Provide the Department of Motor Vehicles with adequate criteria for selecting as notice recipients those registered vehicle owners who own the desired target vehicles. Such criteria may consist of the desired vehicle makes, models, model years, geographical locales, or any other criteria deemed acceptable or necessary by the Department of Motor Vehicles;

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100, 44101, 44102, 44103, 44105, 44107 and 44109, Health and Safety Code.

§2607~~7~~8 Emission Reduction Credits

(a) Emission reduction credits shall be generated under these regulations for reductions of emissions of NOx, ROG, CO and PM, as provided in this section. The magnitude of the credit for each of these pollutants, as generated by the accelerated retirement of an individual vehicle, shall be based on emission reduction data contained in the document entitled "Voluntary Accelerated Light-Duty Vehicle Retirement Program Emission Reductions" as specified in Appendix be to this Article 1;

(1) The maximum credit amount shall be no greater than the calculated emission reduction on which the credit is based. Districts may apply a discount factor to credits calculated

under these regulations, consistent with applicable district and Board credit rules and programs;

(2) Credit usage shall be in accordance with all federal, state and local laws and regulations in effect at time of usage;

(3) The life of emission reduction credits as generated by the accelerated retirement of an individual vehicle is three (3) years;

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100, 44101, 44102, 44121 and 44122, Health and Safety Code.

§2608~~8~~9 Records, Auditing, and Enforcement

(a) The following requirements for records, auditing, and enforcement shall be met:

(1) An enterprise operator shall be responsible for maintaining and storing the following information for each vehicle removed from operation for the purpose of generating emission reduction credits:

(A) Vehicle Identification Number (VIN);

(B) Vehicle license plate number;

(C) Vehicle model year;

(D) Vehicle odometer reading;

(E) Vehicle make and model;

(F) Name, address and phone number of legal owner selling vehicle to the enterprise operator

(G) Name, address and phone number of registered owner if different from (F);

(H) Name and business address of inspector conducting the vehicle's eligibility inspection, if the VAVR enterprise operator contracts with an ARB-approved inspection entity to perform the vehicle functional and equipment eligibility inspection;

(I) Date of purchase of vehicle by enterprise operator;

(J) Date of vehicle retirement;

(K) The emission reduction amount claimed per §2607~~7~~8;

(L) Reproductions of California Certificate of Title and registration, as signed-off be seller at time of final sale to the VAVR enterprise;

(M) Reproductions of California Certificate of Title and registration, as signed-off by seller at time of final sale to the VAVR enterprise;

(N) Reproduction of the applicable Report of Vehicle to be Dismantled and Notice of Acquisition (California Department of Motor Vehicles Registration 42 form);

(O) Reproduction of written documentation from the California Department of Motor Vehicles verifying that a vehicle meets the requirements of §2603(a)(2);

(P) If applicable, reproduction of documentation issued pursuant to §2603(a)(6)(B);

(Q) Any other pertinent data requested by the district;

(2) Upon request of the district, the data contained in records required in §260~~8~~9(a)(1)(A) through (K) shall be transmitted to the district in an electronic database format, to be determined by mutual agreement between the district and the enterprise operator, in lieu of paper copies;

(3) The enterprise operator will maintain copies of the information listed in §260~~8~~9(a)(1)(A) through (Q) for a minimum period of time commensurate with the life of the emission reduction credits generated from each vehicle pursuant to §260~~7~~8, and shall make those records available to the district upon request;

(4) Each district shall be responsible for approving and issuing emission reduction credits generated in accordance with §2607 to VAVR enterprise operators, based on data supplied by each enterprise operator pursuant to §260~~8~~9(a)(1), §260~~8~~9(a)(2), and §260~~8~~9(a)(3). Districts shall not approve and issue emission reduction credits unless a VAVR enterprise operator demonstrates compliance with all applicable provisions in this regulation;

(5) A district shall not approve and issue emission reduction credits for any vehicle retired within sixty-one to ninety (61-90) days of its next required Smog Check inspection until it has verified that the vehicle did not fail its Smog Check inspection during that time frame pursuant to §2602(f). Emission reduction credits shall not be issued for any vehicle failing its Smog Check inspection during the sixty-one to ninety (61 - 90) day time frame.

(6) VAVR enterprise operators may not make emission reduction credits available for purchase until they are approved and issued by the district.

(7) The district may conduct announced and unannounced audits and on-site inspections of VAVR enterprise operations to ensure that enterprises are being operated according to all applicable rules and regulations. The district shall report the results of any such audits and inspections to the Executive Officer, and shall notify any non-compliant enterprise operator of the nature of the violation and shall initiate any enforcement or remedial action necessary;

(A) Enterprise operators and their subcontractors shall allow the district to conduct announced and unannounced audits and inspections and shall cooperate fully in such situations;

(B) Violation of any provision of these regulations, including falsification of any information or data, shall constitute a citable violation making the violator subject to all

applicable penalties specified in the California Health and Safety Code. In addition, violation of any provision of §2603 by a VAVR enterprise operator or its subcontractors shall result in the issuance of a Notice of Violation(s). District approval to generate emission reduction credits shall be revoked if a VAVR enterprise operator demonstrates a recurrent pattern of accepting vehicles that do not meet the eligibility requirements pursuant to §2603 or if a VAVR enterprise operator violates §2608(a)(6);

NOTE: Authority cited: Sections 39600, 39601 and 44101, Health and Safety Code. Reference: Sections 39002, 39003, 42400, 42400.1, 42400.2, 42400.3, 42400.4, 42400.5, 42400.6, 42401, 42402, 42402.1, 42402.2, 42402.3, 42402.5, 42403, 43000, 43013, 43016, 44100, 44101, 44102, 44103, 44105, 44106 and 44107, Health and Safety Code.

§2609<u>10</u> Pilot Program

(a) Plan to Guide Execution of Pilot Program, Assess Results and Formulate Recommendations:

(1) The Board will contract with an interested party to conduct a pilot program in the South Coast Air Basin, to be completed no later than two (2) years after adoption of these regulations;

(2) The pilot program will be designed to test the efficacy of these regulations with regards to the goals of SIP measure M1 and VAVR-for-credit operations in general;

(3) The pilot program will determine a baseline of the current population of vehicles by model year and market value and the current turnover rate of vehicles, and other factors that may be essential to assessing the effectiveness, cost-effectiveness, and market impacts of VAVR enterprises;

(4) The Board will publish a report at the end of each calendar year for which the pilot program is operated. This report will include:

(A) The number of vehicles retired, by model year.

(B) The measured emissions of any retired vehicles tested during the report period;

(C) Costs of the vehicles in terms of amounts paid to sellers, and the cost-effectiveness of voluntary accelerated vehicle retirement expressed in dollars per ton of emissions reduced.

(D) Administrative and testing costs for the program.

(E) Assessments of the replacement vehicles or replacement travel by model year or emission levels, as determined from interviews, questionnaires, diaries, analyses of vehicle registrations in the study region, or other methods as appropriate.

(F) Assessments of the net emission benefits of voluntary accelerated vehicle retirement in the year reported,

considering the retired vehicles, the replacement vehicles, and other effects of the program on the mix of vehicles and use of vehicles in the geographical area of the program, including in-migration of other vehicles into the area and any tendencies to increased market value of used vehicles and prolonged useful life of existing vehicles, if any.

(G) Assessments of whether the M-1 strategy of the 1994 SIP can reasonably be expected to yield the required emission reductions.

(H) Assessments of typical retired vehicle operating condition, historical mileage, and other relevant vehicle data;

NOTE: Authority cited: Sections 39600, 39601, 44101 and 44104.5, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013, 44100, 44101, 44104.5 and 44105, Health and Safety Code.

§26~~10~~11 Procurement of Credits for SIP Measure M1

(a) The purchase of emission reduction credits by the State of California is dependent on funding allocated for the purpose of achieving the emission reduction goals of measure M1 of the 1994 SIP for ozone attainment;

(1) As funding becomes available, the ARB shall develop and initiate a process for procuring available emission reduction credits. Available emission reduction credits will be purchased by the State of California from enterprise operators meeting all the requirements of this regulation and applicable district rules through an approved state-contracting procedure, such as the issuance of an Invitation for Bid;

(2) All emission reduction credits purchased by the State of California shall be retired to meet the emission reduction goals of measure M1.

NOTE: Authority cited: Sections 39600 and 39601, 44101 and 44104, Health and Safety Code. Reference: Sections 39002, 39003, 43000, 43013 44100, 44101 and 44104, Health and Safety Code.

APPENDIX 2

State of California
Air Resources Board

Emission-Drive Train Related Parts List

Adopted November 4, 1977
Amended May, 1981
Amended June 1, 1990

The following list of components are examples of emission related parts as defined in Section 1900 (b) (3), Chapter 3, Title 13, California Code of Regulations.

I. Carburetion and Air Induction System

A. Air Induction System:

1. Temperature sensor elements
2. Vacuum motor for air control
3. Hot air duct & stove
4. Air filter housing & element
5. Turbocharger or supercharger
6. Intercooler

B. Emission Calibrated Carburetors:

1. Metering jets
2. Metering rods
3. Needle and seat
4. Power valve
5. Float circuit
6. Vacuum break
7. Choke mechanism
8. Throttle-control solenoid
9. Deceleration valve
10. Dashpot
11. Idle stop solenoid, anti-dieseling assembly
12. Accelerating pump
13. Altitude compensator

C. Mechanical Fuel Injection:

1. Pressure regulator
2. Fuel injection pump
3. Fuel injector
4. Throttle-position compensator
5. Engine speed compensator
6. Engine temperature compensator
7. Altitude cut-off valve
8. Deceleration cut-off valve
9. Cold-start valve

D. Continuous Fuel Injection:

1. Fuel pump
2. Pressure accumulator
3. Fuel filter
4. Fuel distributor
5. Fuel injections
6. Air-flow sensor
7. Throttle-position compensator
8. Warm-running compensator
9. Pneumatic overrun compensator
10. Cold-start valve

E. Electronic Fuel Injection:

1. Pressure regulator
2. Fuel distribution manifold
3. Fuel injectors
4. Electronic control unit
5. Engine speed sensor
6. Engine temperature sensor
7. Throttle-position sensor
8. Altitude/manifold-pressure sensor
9. Cold-start valve

F. Air Fuel Ratio Control:

1. Frequency valve
2. Oxygen sensor
3. Electronic control unit

G. Intake Manifold

II. Ignition System

A. Distributor

1. Cam
2. Points
3. Rotor
4. Condenser
5. Distributor cap
6. Breaker plate
7. Electronic components (breakerless or electronic system)

B. Spark Advance/Retard System:

1. Centrifugal advance mechanism:
   a. Weights
   b. Springs

2. Vacuum advance unit

3. Transmission controlled spark system:

   a. Vacuum solenoid
   b. Transmission switch
   c. Temperature switches
   d. Time delay
   e. CEC valve
   f. Reversing relay

4. Electronic spark control system:

   a. Computer circuitry
   b. Speed sensor
   c. Temperature switches
   d. Vacuum switching valve

5. Orifice spark advance control system:

   a. Vacuum bypass valve
   b. OSAC (orifice spark advance control) valve
   c. Temperature control switch
   d. Distributor vacuum control valve

6. Speed controlled spark system:

   a. Vacuum solenoid
   b. Speed sensor and control switch
   c. Thermal vacuum switch

C. Spark Plugs

D. Ignition Coil

E. Ignition Wires

III. Mechanical Components

A. Valve Trains:

1. Intake valves
2. Exhaust valves
3. Valve guides
4. Valve springs
5. Valve seats
6. Camshaft

B. Combustion Chamber:

1. Cylinder head or rotor housing[6]
2. Piston or rotor[1]

IV. Evaporative Control System

A. Vapor Storage Canister and Filter

B. Vapor Liquid Separator

C. Filler Cap

D. Fuel Tank

E. Canister Purge Valve

V. Positive Crankcase Ventilation System

A. PCV Valve
B. Oil Filler Cap

C. Manifold PCV Connection Assembly

VI. Exhaust Gas Recirculation System

[6] *Rotary (Wankel) engines only*

A. EGR Valve:

1. Valve body and carburetor spacer
2. Internal passages and exhaust gas orifice

B. Driving Mode Sensors:

1. Speed sensor
2. Solenoid vacuum valve
3. Electronic amplifier
4. Temperature-controlled vacuum valve
5. Vacuum reducing valve
6. EGR coolant override valve
7. Backpressure transducer
8. Vacuum amplifier
9. Delay valves

VI. Air Injection System

A. Air Supply Assembly:

1. Pump
2. Pressure relief valve
3. Pressure-setting plug
4. Pulsed air system

B. Distribution Assembly:

1. Diverter, relief, bypass, or gulp valve
2. Check or anti-backfire valve
3. Deceleration control part
4. Flow control valve
5. Distribution manifold
6. Air switching valve

C. Temperature sensor

VIII. Catalyst, Thermal Reactor, and Exhaust System

A. Catalytic Converter:

1. Constricted fuel filler neck
2. Catalyst beads (pellet-type converter)
3. Ceramic support and monolith coating (monolith-type converter)
4. Converter body and internal supports

5. Exhaust manifold

B. Thermal Reactor:

1. Reactor casing and lining
2. Exhaust manifold and exhaust port liner

C. Exhaust System:

1. Manifold
2. Exhaust port liners
3. Double walled portion of exhaust system
4. Heat riser valve and control assembly

IX. Miscellaneous Items Used in Above Systems

1. Hoses, clamps, and pipers
2. Pulleys, belts, and idlers

X. Computer Controls

1. Electronic Control Unit (ECU)
2. Computer-coded engine operating parameter (including computer chips)
3. All sensors and actuators associated with the ECU

XI. Drive Train Parts (added to Emission-Related Parts List.

1. Engine
2. Drive mechanism
3. Transmission
4. Differential
5. Axles
6. Brakes

Appendix 3

Emission-Related and Drive Train Parts Removal and Destruction Quality Control Check List

Date _____

Dismantler _____

Address _____

Quality Control Inspector _____

Vehicle Make _____

Vehicle Model _____

Vehicle Year _____

Vehicle License Number_____

Vehicle Odometer Mileage _____

Category	Emission-Related Part	Part Removed	Part Destroyed
Air Induction System	Temperature sensor elements		
	Vacuum motor for air control		
	Hot air duct & stove		
	Air filter housing & element		
	Turbocharger or supercharger		
	Intercooler		
Emission Calibrated Carburetors	Metering jets		
	Metering rods		
	Needle and seat		
	Power valve		
	Float circuit		
	Vacuum break		
	Choke mechanism		
	Throttle-control solenoid		
	Deceleration valve		
	Dashpot		

Category	Emission-Related Part	Part Removed	Part Destroyed
Emission Calibrated Carburetors (continued)	Idle stop solenoid, anti-dieseling assembly		
	Accelerating pump		
	Altitude compensator		
Mechanical Fuel Injection:	Pressure regulator		
	Fuel injection pump		
	Fuel injector		
	Throttle-position compensator		
	Engine speed compensator		
	Engine temperature compensator		
	Altitude cut-off valve		
	Deceleration cut-off valve		
	Cold-start valve		
Continuous Fuel Injection:	Fuel pump		
	Pressure accumulator		
	Fuel filter		
	Fuel distributor		
	Fuel injections		
	Air-flow sensor		
	Throttle-position compensator		
	Warm-running compensator		
	Pneumatic overrun compensator		
	Cold-start valve		
Electronic Fuel Injection:	Pressure regulator		
	Fuel distribution manifold		
	Fuel injectors		
	Electronic control unit		
	Engine speed sensor		
	Engine temperature sensor		
	Throttle-position sensor		
Electronic Fuel Injection:	Altitude/manifold-pressure sensor		
	Cold-start valve		
Air Fuel Ratio Control:	Frequency valve		
	Oxygen sensor		
	Electronic control unit		
Intake Manifold	Intake Manifold Assembly		
Distributor	Cam		
	Points		
	Rotor		
	Condenser		

Category	Emission-Related Part	Part Removed	Part Destroyed
Distributor (continued)	Distributor cap		
	Breaker plate		
	Electronic components (breakerless or electronic system)		
Spark Advance/ Retard System	Centrifugal advance mechanism: weights and springs		
	Vacuum advance unit		
	Transmission controlled spark system: vacuum solenoid, transmission switch, temperature switches, time delay, CEC valve, reversing relay		
	Electronic spark control system: computer circuitry, speed sensor, temperature switches, vacuum switching valve		
	Orifice spark advance control system: vacuum bypass valve, orifice spark advance control valve, temperature control switch, distributor vacuum control switch		
	Speed controlled spark system: vacuum solenoid, speed sensor and control switch, thermal vacuum switch		
Spark Plugs	Spark Plugs		
Ignition Coil	Ignition Coil		
Ignition Wires	Ignition Wires		
Drive Train	Engine		
	Flywheel		
	Bell Housing		
	Drive Shaft		
	Transmission		
	Differentials		
	Axles		
	Brakes		
Mechanical Components	Intake valves		
	Exhaust valves		

Category	Emission-Related Part	Part Removed	Part Destroyed
Mechanical Components (Continued)	Valve guides		
	Valve springs		
	Valve seats		
	Camshaft		
	Cylinder head or rotor housing		
	Piston or rotor		
Evaporative Control System	Vapor Storage Canister and Filter		
	Vapor Liquid Separator		
	Filler Cap		
	Fuel Tank		
	Canister Purge Valve		
Positive Crankcase Ventilation System	PCV Valve		
	Oil Filler Cap		
	Manifold PCV Connection Assembly		
Exhaust Gas Recirculation System	EGR Valve: valve body and carburetor spacer,		
	EGR Valve: internal passages and exhaust gas orifice		
Driving Mode Sensors	Speed sensor		
	Solenoid vacuum valve		
	Electronic amplifier		
	Temperature-controlled vacuum valve		
	Vacuum reducing valve		
	EGR coolant override valve		
	Backpressure transducer		
	Vacuum amplifier		
	Delay valves		
Air Injection system	Pump		
	Pressure-relief valve		
	Pressure-setting plug		
	Pulsed air system		
	Diverter		
	Relief, bypass, or gulp valve		
	Check or anti-backfire valve		
	Deceleration control part		
	Flow control valve		
	Distribution manifold		
	Air switching valve		
	Temperature sensor		

Catalytic Converter/Thermal Reactor/exhaust	Constricted fuel filler neck		
	Catalyst beads (pellet-type converter),		
	Ceramic support and monolith coating (monolith-type converter),		
Catalytic Converter/Thermal Reactor/exhaust (continued)	Converter body and internal supports,		
	Exhaust manifold		
	Reactor casing and lining		
	Exhaust manifold and exhaust port liner		
	Manifold		
	Exhaust port liners,		
	Double walled portion of exhaust system,		
	Heat riser valve and control assembly		
Miscellaneous Items Used in Above Systems	Hoses, clamps, and pipers		
	Pulleys, belts, and idlers		
Computer Controls	Electronic Control Unit (ECU)		
	Computer-coded engine operating parameter (including computer chips)		
	All sensors and actuators associated with the ECU		

Quality Control Inspector Final Verification All Emission-Related Parts Removed and Destroyed

Quality Control Inspector Signature:

_____

Date:

_____